

ASX &amp; NZX Release – 29 January 2015

**QUARTERLY ACTIVITIES REPORT**

For three months ended 31 December 2014

**BATHURST RESOURCES LIMITED**

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**DIRECTORS**

Malcolm Macpherson – *Non Exec Chairman*  
Hamish Bohannan – *Managing Director*  
Toko Kapea – *Non Exec Director*

**ISSUED CAPITAL**

(at 31 December 2014):

947,828,434 Ordinary Shares  
518,076 Unlisted Options &  
Performance Rights  
NZX & ASX Code: BRL

**SUBSTANTIAL SHAREHOLDERS**

(at 31 December 2014):

L1 Capital (9.67%)  
Republic Investment Management (7.74%)  
Asian Dragon Acquisitions (6.05%)

All dollar amounts referred to in this report  
are in New Zealand dollars unless  
otherwise noted

**1. Highlights**

- **Cash positive quarter**
- **Production up 71% on the previous year**
- **Restructure of board and management team to preserve value**

**2. Operating Summary**

Bathurst's operating mines, project works and exploration activities have been without a lost time injury or a reportable environmental incident for the quarter.

Management focus on productivity, efficiencies and costs is paying off delivering strong production from Takitimu and Cascade and an operationally cash positive quarter.

Having worked hard to lock in these efficiencies in a tough market, Bathurst has implemented the final substantial change, reducing both the board and the executive team.

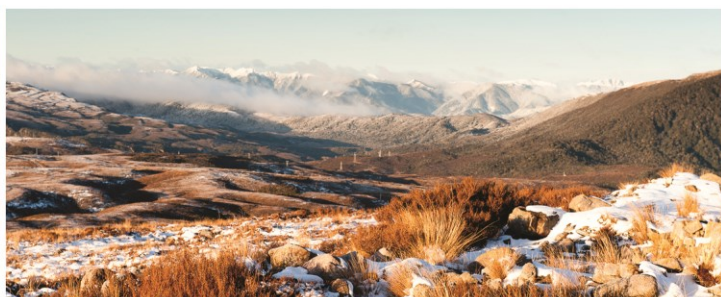
This has no direct effect on operations, but substantially reduces overheads going forward, further protecting the cash positive position the company has now achieved.

Production from Bathurst's mines was 120,662 tonnes compared with 70,475 tonnes for the same period last year.

Takitimu is mining to plan, with a significant tonnage of coal under light cover following the recent cutbacks. Work at Canterbury to upgrade the processing facilities is progressing well with production expected to restart in February.

Cascade sales were impacted by an operating issue at a major customer's plant, which reduced their demand by about 40%. Operating hours were reduced and the mine shut over the holiday period to better match production with reduced demand.

Meanwhile, the Cascade team continued the establishment of Escarpment, with water management systems, haul roads and dump sites now largely established.



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### 3. Operations Report

#### 3.1 Health, Safety and Environment

Whilst the company continues to be free of reportable incidents, there is considerable work going on to ensure that our health and safety management systems are effective and fully compliant with the new mining regulations and in preparation for new standards. This has involved reviews at all sites as well as new training programmes and ongoing risk assessments.

#### 3.2 Production

Production for the quarter was 120,622 tonnes, an increase of 35% on the previous quarter and 71% for the same period last year.

	Production (Raw coal tonnes)	Overburden (bcm's)
<b>Cascade*</b>	22,707	95,684
<b>Takitimu</b>	97,915	367,762
<b>Canterbury Coal</b>	-	-
<b>Total</b>	120,622	463,446

\*Cascade coal total includes 1,202 tonnes mined from Escarpment during the quarter.

#### 3.3 Buller Operations

There are currently three mining permits at Buller, namely Cascade, Coalbrookdale and Escarpment. The coal is contained in a single seam, Mangatini, and is coking coal ranging in quality from semi-soft to hard, with Cascade being largely semi-soft and Coalbrookdale and Escarpment being largely hard coking coal.

With the international coking coal prices at very low levels and basically flat, Bathurst is focusing on production for the domestic market. Coal from Cascade and Escarpment is mainly sold into cement production and from Takitimu and Canterbury into the agri-sector, mainly dairy processing.

Sales from Buller into the cement manufacturing industry were impacted when production issues at the customer's plant resulted in a short term 40% reduction in demand. These production issues are now resolved and demand has increased. However, in response to the reduced sales, Cascade/Escarpment operations were reduced in hours and suspended totally over the holiday period so as not to build up unnecessary stock levels.

Coal winning at Cascade was concentrated in the Cut 4 area mining a thick section of coal under light cover. The amount of overburden to be removed to expose coal has now decreased significantly with a resultant reduction in the cost of mining. Rehabilitation is ongoing in mined out areas. Shaping of final batters in preparation for planting was undertaken in the Waterfall area to the north west of current mining operations.

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Work at Escarpment has focused on the installation of water treatment systems, haul roads and dump areas. Water systems are largely completed for the works to date and daily water monitoring results are showing that any sediment discharge from the area is being effectively controlled. Some coal has been recovered from construction operations and will be blended with Cascade coal for domestic sales.

Both the Department of Conservation and the local councils provided positive feedback following recent visits to the mine as part of their ongoing inspections.

### **3.4 Takitimu**

The Takitimu mine, at Nightcaps, north of Invercargill, has typically produced around 200,000 tonnes of sub-bituminous coal per annum. This quarter has seen record production partly to cover production from Canterbury whilst that site completed its upgrade but also to match a strong start to the dairy season.

As part of the review of operations at Takitimu, Bathurst took over the mining contract and all site staff transferred to Bathurst.

Mining continued to plan and the site is now well positioned with some 40,000 tonnes of coal under light cover.

Rehabilitation commenced in December in some of the old Takitimu pit areas in readiness for seeding this coming season.

### **3.5 Canterbury Mine**

The Canterbury mine near Coalgate, west of Christchurch, is targeting production of up to 35,000 tonnes per annum of energy coal for the local dairy processing industries.

Mining activities at Canterbury Coal were wound back during the last half of the year while the processing operations for the site were reviewed. The upgrade to the processing system has now been completed and full operations are scheduled to recommence in February.



Upper Morley 3 coal seam in Takitimu's Coaldale block

#### **4. Sales**

Coal sales were 102,896 tonnes compared with 107,144 tonnes for the same period last year, reflecting the temporary reduction in demand from one of the company's major customers as a result of a technical failure on site.

While the focus remains on the domestic market until export pricing improves, Bathurst is continuing discussions with end users in the key markets of India, Japan, Korea and China, with a view to establishing offtake partners in preparation for a market recovery.

#### **5. Exploration**

Drilling and exploration during the quarter was limited to that required to meet permit obligations. Work is ongoing on bringing our reserve and resource reporting in line with the new 2012 JORC guidelines.

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## **6. Corporate - board and executive team restructure**

During recent months Bathurst implemented organisational and operational changes as a result of a business efficiency review to preserve value in the company during this low period in the commodities cycle. This has resulted in cost savings and efficiency gains across the company, leading to the cash positive position as reported.

In November a board restructure was announced on the basis that a reduced board would be adequate for the company with its current operations. Dave Frow resigned as non-executive chairman and Rob Lord resigned as non-executive director. At the same time, Marshall Maine resigned as joint company secretary. The board would like to acknowledge the contributions made by both Dave and Rob during their tenure.

The board now comprises :

- Malcolm Macpherson (non-executive chairman)
- Toko Kapea (non-executive director)
- Hamish Bohannan (managing director)
- Graham Anderson remains as company secretary.

Having implemented the planned review and, in line with the board reduction, the executive management team is also being reduced by four until such time as the market recovers. This is not expected to have any impact on the company's operational performance, nor will it have any impact on the company's commitment and resolve in the areas of health, safety and environment. It will however have substantial impact on the overhead costs of the business. The positions affected include the Chief Financial Officer and Chief Operating Officer who will continue in their roles during their notice period ensuring a smooth transition.

## **7. Cashflow and outlook**

With the implementation of the business efficiency review across the sites, the operations were cash positive for the quarter. This is despite a drop in revenue following a production issue at a major customer's site which has now been resolved.

Following the implementation of the review, benefits will be ongoing and the reduction of overheads with a smaller board and management team will further reinforce this.

The current quarter is expected to see slightly reduced sales to the agri-sector with a current dry period affecting dairy production, but sales for cement manufacture have again increased.

The forecast for the March quarter and the remainder of the 2015 financial year is projected to be cashflow positive.



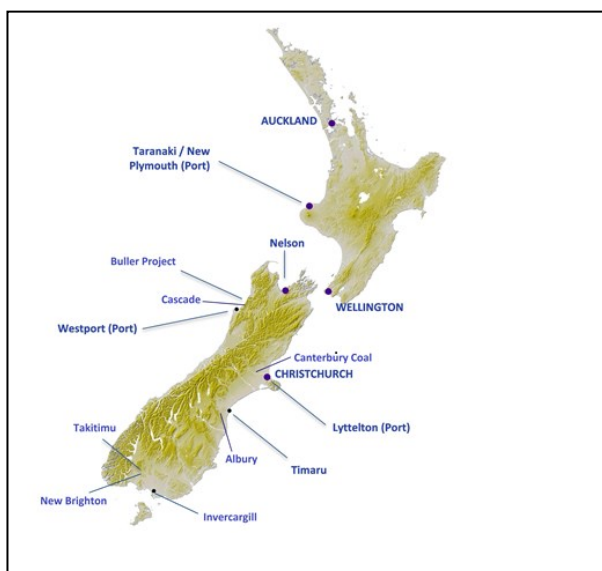
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## 8. About Bathurst Resources Limited

Bathurst is an NZX and ASX listed resources company. Its operations are in the South Island of New Zealand where it aims to be a leading coal producer, delivering high quality coking coal into export markets, providing coal for local cement manufacture and providing energy for the domestic food and dairy processing industries.

In June 2013 the company completed its redomicile from Australia to become a wholly New Zealand company. Bathurst now employs over 100 staff in New Zealand and has its head office in Wellington.

The flagship for the company is the Buller Coal Project near Westport, currently producing semi soft coking coal for local cement production but ultimately targeting high quality export coking coal for the steel mills of Japan, India and Asia.



Bathurst has a growing domestic business supplying energy to major South Island industrial users. Bathurst currently has three operating mines – Cascade/Escarpment at Buller, Takitimu at Nightcaps in Southland and Canterbury, west of Christchurch. Cascade and Escarpment primarily provide coal as feedstock for the local cement industry. Whilst Cascade and Escarpment are on the same seam, the coal improves from semi-soft at Cascade to hard coking on the plateau. Takitimu and Canterbury supply cost effective energy to the South Island agri-sector, mainly the food and dairy industries. The domestic sales provide a sound revenue stream to support the development of the export business.

The company also operates coal handling and distribution centres in Timaru and Rolleston.

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The Buller Coalfield is situated on the west coast of the South Island of New Zealand. It is regarded as one of the country's most significant fields and is particularly well known for its production of high quality, low ash and high fluidity coking coals which are highly sought after by international steelmakers.

The Southland and Canterbury coal fields comprise sub-bituminous coals which are used as an energy source for local industry in the South Island, where other options for power and energy infrastructure are either not available or not commercially viable.

The Buller Project will comprise mining operations north and south of the Solid Energy Stockton mine, blending coal from the various coal blocks to create a high grade west coast export product.

The first production block at Buller is Cascade in the southern area, adjacent to the Escarpment and Coalbrookdale blocks. Cascade has historically produced around 45,000 tonnes per annum of high value low contaminant coal for the local industrial market. A large cut back to expose new coal areas completed last year, supporting capacity to produce over 100,000 tonnes per annum. Increased production will allow the coal from Cascade to be blended into the high quality export product with a proportion continuing to supply the cement manufacturing industry, once the export market recovers.

The key first stage for the export of coal from the project is the establishment of the Escarpment block which is targeting an initial output of 500,000 tonnes per annum of coal for international steel markets once global coal prices recover. Site works have commenced and the coming months will see the mine developed to a stage where it can quickly move into steady state production to meet export demand when prices improve. Over the life of the block, total production is expected to increase to around one million tonnes per annum.

The next blocks to be developed at Buller as production from Escarpment extends outward are Coalbrookdale and Whareatea West. Coalbrookdale is fully consented for underground mining however Bathurst will apply for opencast consents for parts of the deposit which can be developed as an extension of Escarpment. Work is underway in preparation for this.

Whareatea West, which adjoins the Escarpment permit's western boundary, is an Exploration Permit. The company is currently gathering data in preparation for the consenting of this area of operation.

Bathurst has further coal blocks north of the Stockton Plateau. These blocks are contained within two separate Exploration Permits; Buller and Coal Creek. Preliminary analysis indicates that the very low ash, higher sulphur coal from this area can be blended with coal from the southern blocks to produce a single West Coast premium product. Coal from both the northern and southern blocks will be trucked to the same stockpile and washplant site established on the coastal plain, negating the need to duplicate infrastructure.

## APPENDIX 11

### QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

Bathurst Resources Limited .....

(Name of Mining Issuer)

For Quarter ended December ..... 2014 .....

(referred to in this Quarter as the "Current Quarter")

Quarterly Report of Consolidated Cash Flows in accordance with NZSX Listing Rule 10.10.4. These figures are based on accounts which are **unaudited**. If these figures are based on audited accounts, a statement is required of any material qualification made by the auditor. The Mining Issuer has a formally constituted Audit Committee of the Board of Directors.

[PLEASE REFER TO ATTACHED NOTES WHEN COMPLETING THIS FORM]

**1. CASH FLOWS RELATING TO OPERATING ACTIVITIES**

- (a) Receipts from product sales and related debtors
- (b) Payments for exploration and evaluation
  - for development
  - for production
  - for administration
- (c) Dividends received
- (d) Interest and other items of a similar nature received
- (e) Interest and other costs of finance paid
- (f) Income taxes paid
- (g) Other

**(h) NET OPERATING CASH FLOWS**

**2. CASH FLOWS RELATED TO INVESTING ACTIVITIES**

- (a) Cash paid for purchases of
  - prospects
  - equity investments
  - other fixed assets
- (b) Cash proceeds from sale of
  - prospects
  - equity investments
  - other fixed assets
- (c) Loans to other entities
- (d) Loans repaid by other entities
- (e) Other

**(f) NET INVESTING CASH FLOWS**

**3. CASH FLOWS RELATED TO FINANCING ACTIVITIES**

- (a) Cash proceeds from issues of shares, options, etc
- (b) Proceeds from sale of forfeited shares
- (c) Borrowings
- (d) Repayments of borrowings
- (e) Dividends paid
- (f) Other

**(g) NET FINANCING CASH FLOWS**

**4. (a) \*NET INCREASE (DECREASE) IN CASH HELD**

- (b) Cash at beginning of quarter / year to date
- (c) Exchange rate adjustments to Item 4(a) above

**(d) CASH AT END OF QUARTER**

Current Quarter \$NZ 000	Year to Date (6 Months) \$NZ 000
13,935	24,013
(30)	(281)
(513)	(1,832)
(11,484)	(21,158)
(1,444)	(3,369)
-	-
17	51
(244)	(512)
(4)	(9)
-	12
233	(3,085)
-	(444)
-	-
(451)	(959)
-	-
-	-
275	3,075
-	-
-	-
-	-
(176)	1,672
-	47
-	-
-	-
(383)	(1,518)
-	-
(36)	(35)
(419)	(1,506)
(362)	(2,919)
6,298	8,855
-	-
5,936	5,936



**5. NON-CASH FINANCING AND INVESTING ACTIVITIES**

(a) Provide details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A .....

(b) Provide details of outlays made by other entities to establish or increase their shares in projects in which the reporting entity has an interest.

N/A .....

**6. FINANCING FACILITIES AVAILABLE**

Provide details of used and unused loan facilities and credit standby arrangements, adding such notes as are necessary for an understanding of the position.

Loan facilities .....

Credit standby arrangements .....

**Total**.....

Amount Available \$NZ 000	Amount Used \$NZ 000
3,734	3,734
505	-
4,239	3,734

**7. ESTIMATED OUTLAYS FOR SPECIFIED QUARTERS**

(a) Exploration and evaluation

(b) Development

(c) Production

(d) Administration

**TOTAL**

Current Quarter# \$NZ 000	Following Quarter \$NZ 000
189	122
562	598
10,428	11,136
1,495	1,602
12,674	13,458

**8. RECONCILIATION OF CASH**

Cash at the end of the quarter as shown in the statement of cash flows is reconciled to the related items in the amounts as follows:

Cash on hand and at bank

Deposits at call

**TOTAL**

Current Quarter \$NZ	Previous Quarter \$NZ
2,937	3,458
2,999	2,840
5,936	6,298

**9. CHANGES IN INTERESTS IN MINING TENEMENTS**

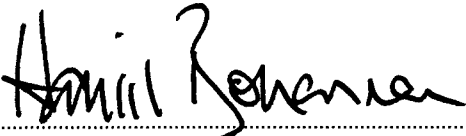
	Tenement Reference	Nature of Interest	Interest at Beginning of Quarter	Interest at End of Quarter
(a) Interests in mining tenements relinquished, reduced and/or lapsed	54658	Partial Surrender	100%	100%
	54507	Surrender	100%	0%
(b) Interests in mining tenements acquired and/or increased	54658	Extension	100%	100%
	55199	Mining Permit	-	100%

(c) Where changes are reported in (a) and/or (b), an amended list of interests in mining tenements is to be attached to this statement.

**10. ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER**

Category of Securities	Number Issued	Number Quoted	Paid-Up Value Cents	
<b>PREFERENCE SHARES:</b>	-----	-----	-----	-----
Issued during current quarter:	-----	-----	-----	-----
<b>ORDINARY SHARES:</b>	947,828,434 -----	<b>947,828,434</b> -----	-----	-----
Issued during current quarter:	nil-----	nil-----	-----	-----
Conversion of performance rights:	nil-----	nil-----	-----	-----
<b>OPTIONS:</b>			Exercise Price* AUD	Expiry Date
Issued during current quarter:	nil-----	-----	-	-
<b>PERFORMANCE RIGHTS:</b>			Exercise Price	
Issued under the company's long term incentive plan:	518,076 -----	<b>518,076</b> -----	n/a	
Issued during current quarter:	-----	-----	n/a	
DEBENTURES – totals only:	\$-----	\$-----		
UNSECURED NOTES – totals only:	\$-----	\$-----		

# Description includes rate of interest and any redemption or conversion rights together with prices and dates thereof.

  
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 (Signed by) Authorised Officer of Listed Issuer

29 January 2015  
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 (Date)

# **Bathurst Resources Limited**

## **Addendum**

### **ASX Listing Rule 5.3.3**

➤ *The mining tenements held at the end of each quarter and their location*

<i>Reference</i>	<i>Location</i>	<i>Interest</i>
51-078	EP Coal Creek	100%
51-212	EP Moody Creek	100%
51-258	EP Greymouth	100%
51-260	EP Ohau Southland	100%
51-279	MP Escarpment	100%
52-147	EP Greymouth	100%
52-484	PP Canterbury Albury	100%
52-713	EP West Coast	100%
53-614	MP Coaldale	100%
53-756	EP Mokihinui	100%
54-031	EP West Coast	100%
54-389	EP Waikato	100%
54-505	EP West Coast	100%
54-512	EP Flat Creek Tasman	100%
54-590	EP Inangahua	100%
54-658	EP North Reefton	100%
54-846	EP Albury	100%
54-896	PP Buller	100%
54-933	EP Home Hills Otago	100%
54-935	PP Waitaki Otago	100%
55-199	EP Waikato	100%
40-591	EP West Coast	100%
40-625	EP Southland	100%
40-628	EP West Coast	100%
41-274	MP Cascade Creek	100%
41-332	MP Cascade Creek	100%
41-372	MP Canterbury	100%
41-455	MP Cascade Creek	100%
41-456	MP Cascade Creek	100%

➤ *The mining tenements disposed of during the quarter and their location*

<i>Reference</i>	<i>Location</i>	<i>Interest at beginning of quarter</i>	<i>Interest at end of quarter</i>
54-507	EP West Coast	100%	0%

➤ *The mining tenements acquired during the quarter and their location*

<i>Reference</i>	<i>Location</i>	<i>Interest at beginning of quarter</i>	<i>Interest at end of quarter</i>
55-199	EP Waikato	-	100%

➤ *The beneficial percentage interest held in farm-in or farm out agreements at the end of the quarter*

Not applicable

➤ *The beneficial percentage interest held in farm-in or farm out agreements acquired or disposed of during the quarter*

Not applicable